

Message Text

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SUBC: BELGIAN MINING OFFICIALS'S VIEWS ON ZAIRIAN ECONOMIC
MEASURES

REF: KINSHASA 10722

1. SUMMARY: DIRECTOR OF SOCIETE GENERALE DES MINERAIS SAID
DECEMBER 18 THAT HIS COMPANY HAD NOT BEEN ASKED TO REVISE
MANAGEMENT
CONTRACT WITH GECAMINES. DISCUSSING MEASURES ANNOUNCED BY MOBUTO
NOVEMBER 30, HE NOTED THAT CHANGE FROM FOB TO CIF PAYMENT FOR
EXPORTS MAY EFFECT CALCULATIONS OF SGM MANAGEMENT FEE AND
THAT STRICTER GOZ CONTROL OF COOPER DESTINATION COULD IMPLY
ELIMINATION
OF SOME EXISTING CUSTOMERS. CERTAIN OTHER MEASURES ALSO MY
AFFECT COPPER SALES. DIRECTOR NOTED POTENTIAL PITFALLS IN
RUMORED PROPOSAL FOR ARAB STOCKPILE OF AFRICAN COPPER.
END SUMMARY.

2. IN DECEMBER 18 CONVERSATION WITH PIERRE DANNEAUX, DIRECTOR OF
SOCIETE GENERALE DES MINERAIS, ZAIRIAN COUNTRY OFFICER-
DESIGNATE
STRAND AND EMBOFF ASKED ABOUT SPECULATION THAT PREISIDENT
MOBUTU MIGHT TAKE ACTION TO REVISE SGM'S COPPER MANAGEMENT
CONTRACT WITH GECAMINES. DANNEAUX SAID HE KNEW NOTHING OF ANY
ZAIRIAN PLAN TO MODIFY CONTRACT AND THAT "WE HAVE NOT BEEN
ASKED TO REVISE ANYTING". HE NOTED , HOWEVER, THAT IN NOVEMBER
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30 SPEECH MOBUTU EXPRESSED INTENTION TO EXERCISE VIGOROUS
CONTROL OVER DESTINATION OF ZAIRIAN COPPER. DANNEZUX INTERPRETED STATE-

MENT TO MEAN THAT CERTAIN COUNTRIES, PERHAPS TAIWAN FOR

EXAMPLE, MIGHT BE EXCLUDED AS CUSTOMERS. THIS TYPE OF GOZ INVOLVEMENT WOULD NOT PRESENT MAJOR PROBLEM FOR SGM, ACCORDING TO DANNEAUX.

3. REGARDING EFFECTS OF NOVEMBER 30 MEASURES, DANNEAUX SAID PROBLEM HAD BEEN RAISED BY MOBUTU'S INTENTION TO SELL EXPORTS CIF RATHER THAN FOB, SINCE UNDER PRESENT ARRANGEMENT SGM'S SIX PERCENT MANAGEMENT FEE CALCULATED ON BASIS OF FOB PRICE IT PAYS FOR COPPER AT PORT OF SHIPMENT. IT IS NOW NOT CLEAR HOW FEE WOULD BE CALCULATED IF PAYMENTS MADE CIF AND SGM DOES NOT TAKE POSSESSION OF COPPER UNTIL IT ARRIVES AT DESTINATION. NOVEMBER 30 MEASURES ALSO MAY RAISE PRACTICAL PROBLEMS REGARDING SALES. DANNEAUX NOTED THAT BUYERS MIGHT BE RELUCTANT TO ACCEPT INSURANCE BY SONAS AND THAT ZAIRIAN MARITIME COMPANY'S MONOPOLY ON EXPORT SHIPMENTS MIGHT CREATE PROBLEMS REGARDING SALES. DANNEAUX NOTED THAT BUYERS MIGHT BE RELUCTANT TO ACCEPT INSURANCE BY SONAS AND THAT ZAIRIAN MARITIME COMPANY'S MONOPOLY ON EXPORT SHIPMENTS MIGHT CREATE PROBLEMS OF HANDLING IN TRANSPORT SECTOR. ALTHOUGH DANNEAUX SPOKE IN FAVORABLE TERMS OF ABILITIES UMBA WILL BRING TO JOB OF GECAMINES DIRECTOR, HE NOTED THAT UNILATERAL TERMINATION OF ARRANGEMENT UNDER WHICH SGM NOMINATES GECAMINES DIRECTOR AND ASSISTANT DIRECTOR CALLS INTO QUESTION SGM'S RESPONSIBILITIES FOR DEVELOPMENT AND TRAINING PROGRAMS, WHICH IT ADMINISTERS THROUGH GECAMINES DIRECTOR.

4. ON MOBUTU'S PLAN TO HAVE ALL ZAIRIAN COPPER REFINED INSIDE COUNTRY BY 1980, DANNEAUX NOTED HIS COMPANY'S PROPOSAL TO GOZ IN OCTOBER 1973 TO CONSTRUCT REFINERY AT BANANA. HE SAID ZAIRIAN OFFICIALS HAD GIVEN SGM ASSURANCES OF MOBUTU'S APPROVAL OF PROJECT. THESE ASSURANCES WERE OF TYPE WHICH HAD PROVED GENIUNE IN PAST. SGM HAD GIVEN GOZ ESTIMATE OF 25 MILLION ZAIRES TO BRING REFINERY TO YEARLY PRODUCTION CAPACITY OF 100,000 TONS. DANNEAUX SAID THAT ZAIRIAN PRESS LATER HAD SUGGESTED REFINERY COULD BE BUILD FOR EIGHT TO NINE MILLION ZAIRES, A FIGURE SGM CONSIDERS COMPLETELY UNREALISTIC.

5. DISCUSSING REPORTS OF POSSIBLE PROPOSAL BY MOBUTU TO ARABS
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TO STOCKPILE ZAIRIAN AND ZAMBIAN COPPER AS MEANS OF WITHHOLDING COPPER FROM WORLD MARKET, DANNEAUX POINTED OUT THAT COPPER MARKET IS FAR DIFFERENT FROM THAT OF OIL. HE SAID THAT IF COPPER IS WITHHELD FROM MARKET, PRICES WOULD GO UP IN SHORT RUN BUT MIGHT THEN DECLINE. GAME WOULD BE DANGEROUS FOR AFRICANS AND ARABS TO PLAY SINCE COPPER MARKET SHOWING SIGNS OF SOFTENING. SOME CUSTOMERS ARE BEGINNING TO THINK THEY HAVE STOCKED TOO MUCH. ON OTHER HAND SUSTAINED HIGH PRICE WOULD ENCOURAGE INCREASING SUBSTITUTION OF OTHER METALS. IN ADDITION, AFRICANS MIGHT LOSE CUSTOMERS SINCE NEW COPPER SOURCES ARE EXPECTED TO COME ON STREAM IN NEXT FEW YEARS. ARABS WOULD RUN RISK OF HOLDING STOCK OF COPPER WHOSE VALUE MIGHT DECLINE SUBSTANTIALY.
COMMENT: WE ARE INCLINED TO INTERPRET NARROWLY AND LITERALLY

DANNEAUX'S STATEMENT (PARA 2) DISCLAIMING KNOWLEDGE OF
"PLAN" TO MODIFY MANAGEMENT CON*TRACT AND ABSENCE OF ANY REQUEST
TO REVISE IT.

NOTE BY OCT: EXDIS CAPTION ADDED PER S/S-O - MS. ELTZ.

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